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Wednesday September 22, 1976

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National Intelligence Daily Cable for Wednesday September 22, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] The resumption of heavy fighting in Beirut and the consequent decline in security in the area of the city where president-elect Sarkis was scheduled to take the oath of office tomorrow have forced a change of venue for the inauguration that could raise constitutional questions about the legitimacy of Sarkis' presidency.

25X1 [] The inauguration will take place, according to an announcement yesterday, in Shaturah, a city east of Beirut in Syrian-controlled territory. Leftist leader Kamal Jumblatt declared after the announcement that neither he nor his supporters among the parliamentary deputies would attend the swearing-in ceremony, which must take place before Parliament.

25X1 [] Jumblatt's decision to boycott the ceremony and the possibility that other deputies will choose not to or will be unable to enter Syrian-controlled territory raise the possibility that there will not be a parliamentary quorum for the inauguration. Interpretations of what is constitutionally required for a legal swearing-in vary among Lebanese constitutional experts, but many would claim that Sarkis would have no legal mandate if he were not inaugurated in the presence of a quorum.

25X1 [] The venue itself is also likely to raise legal questions, particularly by Camille Shamun, who may be looking for ways to obstruct Sarkis' take-over. Strict constructionists--led by Shamun--contend that the oath-taking must be held not only before a quorum but specifically in Beirut; a swearing-in at Shaturah would not, by their definition, legally entitle Sarkis to the presidency.

25X1 [] As the recently appointed acting prime minister, Shamun could in this case legally assume power as acting head of state. His decision on Monday to keep the cabinet in continuous session until the inauguration in order "to take care of any eventuality" may have been intended to facilitate his own assumption of power, at least temporarily. []

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ISRAEL-SYRIA: Reducing Tension

[REDACTED] Syria's willingness to hold face-to-face meetings between Syrian and Israeli military officers to arrange reunions among Druze families separated on the Golan Heights may in part indicate a desire by Damascus to take a more pragmatic approach toward relations with Israel. Indeed, both sides may hope that the success of the reunion program will encourage the other to take a more flexible attitude on further negotiations.

[REDACTED] Until now, the Syrians have scrupulously kept direct contacts with the Israelis to a minimum, preferring whenever possible to bargain through a third party.

[REDACTED] Israeli Prime Minister Rabin has publicly welcomed the agreement on the Druze reunions as a "small step" toward reducing tensions, but cautioned against jumping to any conclusions about the longer range significance of the accord.

[REDACTED] Possibly to encourage the Syrians, Rabin said he was ready to consider establishing an open border policy with Syria similar to Israel's "open bridges" policy toward Jordan and

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its "good fence" policy toward southern Lebanon. Both of these programs provide for a regulated flow of goods and people across Israel's borders.

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[] Some Israeli officials have warned against exaggerating the importance of the new arrangement, suggesting that Asad may be responding primarily to pressures from the Druze community in Syria. Asad, in any event, probably is trying to enlist the support of Syrian Druze leaders for his Lebanon policy, including their active assistance in undercutting Lebanese leftist and Druze leader Kamal Jumblatt's support among Lebanese Druze. []

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SWEDEN - WESTERN EUROPE: Election Reaction

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[] //The defeat suffered by Sweden's ruling Social Democratic Party in the election last Sunday clears the way for a non-socialist coalition government--the first in over four decades. The election outcome appears likely to have repercussions elsewhere in Western Europe.//

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[] //In ousting the Social Democrats, the Swedish electorate did not reject social democracy but simply asked for a respite from the demands of a highly centralized government and the constantly growing burden of taxes to finance a comprehensive social welfare program.//

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[] //The Social Democrats, who had lost votes in the last three elections, dropped on Sunday only 0.6 percent from their 1973 performance. The nearly 400,000 18 to 20 year-olds who voted for the first time may have contributed to the shift in the Swedish voting pattern.//

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[] Some of these voters may also have been impressed with the stand taken by the opposition parties against the plans of the Social Democratic government to expand Sweden's nuclear energy program. Among Sweden's three non-socialist parties, only the Center Party has a consistent record--in recent years--of opposition to the nuclear energy program.

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[] Thorbjorn Falldin, the Center Party chairman and the probable new prime minister, had originally supported the government energy program but became skeptical after studying

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potential environmental dangers. The Liberal Party never strongly opposed the energy program, and the Conservative Party supported it. Both of these parties were big winners in the election.

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[REDACTED] //Once the euphoria generated by their election victory has worn off, the non-socialists face the problem of reconciling their long-standing differences over domestic policies and beginning negotiations for a coalition government. The apportionment of cabinet seats and the hammering out of policy on a number of issues may be difficult. Coalition leaders may decide to resolve the nuclear energy issue by calling a referendum.//

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[REDACTED] //The Social Democrats will be closely watching for any signs of a crack in the non-socialist front. Despite Palme's promise to "give them a chance," he may try to woo away the Liberals if the non-socialists appear stymied in coalition negotiations.//

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[REDACTED] If the bourgeois parties succeed in forming a government, the Social Democrats, with their strong support in the Swedish labor federation, will present a formidable opposition. This will probably become apparent in the next six months when bargaining on wages and other issues must take place on a national scale.

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[REDACTED] //Perhaps nowhere in Western Europe were the election results followed as closely as in West Germany. Chancellor Schmidt's Social Democrats, who face a close election on October 3, are probably worried that the outcome in Sweden may be a harbinger of trouble for their own party.//

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[REDACTED] //Despite denials by West German government leaders that the Swedish election will have an impact, other European socialists see signs of a shift to the right that will help all conservative parties.//

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[REDACTED] //In Finland, where the five-party coalition of Prime Minister Miettunen resigned last week, the Swedish result is expected to benefit the local Conservative Party in municipal elections on October 17 and 18. The Finnish Conservative Party is the fourth largest in the country, but it has

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been excluded from the government since 1966 because of Soviet distrust of its leaders and policies. The other non-socialist parties may also receive a boost and--if new parliamentary elections become necessary--could cause a significant change in the composition of the next Finnish government.//

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[REDACTED] //In Denmark, politicians will watch public opinion polls closely in the next few weeks. Prime Minister Jorgensen's minority Social Democratic government has been tolerated by opposition parties for the past year because polls had indicated that there would be no significant changes in relative party strengths as a result of an early election.//

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ITALY: Parties Setting Strategies

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[REDACTED] With the Italian Parliament opening next week, all the major parties are trying to work out their strategy for what promises to be a crucial round of political maneuvering.

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[REDACTED] Prime Minister Andreotti's lack of a parliamentary majority means that the legislature will be a more important political arena than in the past. Andreotti was able to take office last month only because the Communists agreed to abandon their traditional opposition status and join the Socialists, Social Democrats, Republicans, and Liberals in abstaining on Andreotti's vote of confidence.

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[REDACTED] Because none of these parties is represented in Andreotti's cabinet, the final shape of the legislative program will be influenced, more than in the past, by parliamentary debate--in which the Communists have the potential to play a dominant role.

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[REDACTED] One Christian Democratic parliamentarian obviously spoke for many of his colleagues in noting recently that the new parliamentary balance has put his party in a "danger zone" with respect to relations with the Communists. Many Christian Democrats fear that their party could easily slide into a legislative alliance with the Communists that could eventually set the stage for Communist chief Berlinguer's "historic compromise"--a governing partnership between the two parties.

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25X1 [] Christian Democratic leader Zaccagnini underlined this problem in a major address this week, in which he said that the new situation required the closest possible liaison between the party's leadership and its parliamentary delegation.

25X1 [] Christian Democratic legislators today begin a four-day caucus that is likely to focus on the question of how to deal with the Communists in Parliament. The Christian Democrats will also be taking up a broader question: how to establish a positive image based on something more than anti-communism.

25X1 [] Various Christian Democratic groups have been discussing that issue in recent weeks. The group that has received the most attention is one convened by first-time senator Umberto Agnelli--vice chairman of Fiat and younger brother of Fiat chairman Giovanni Agnelli. Addressing about 50 Christian Democratic legislators in early September, Agnelli argued that in order to stop the drift of the reform-minded middle class to the Communists, the Christian Democrats must shed their populist conservative image in favor of a technocratic one based on "efficiency, productivity, and modernization."

25X1 [] According to Agnelli, the Christian Democrats have gone as far as they can "waving the anti-Communist flag." Now, he says, they must de-emphasize ideology and confront the Communists with detailed substantive policies.

25X1 [] Agnelli's proposals are stimulating debate in the party, but the reaction has generally been skeptical. Conservatives maintain that the party must stand for more than technical competence, while the Christian Democratic left distrusts the managerial elite that Agnelli represents.

25X1 [] For their part, the Communists are apparently having to deal with unease among the rank and file over the party's indirect support for a Christian Democratic government. In a major speech this week, Berlinguer went out of his way to try to convince Communist supporters that he is not selling out to the Christian Democrats.

25X1 [] Berlinguer forcefully rejected the thesis that his party is becoming a social democratic one and asserted that it would continue to pursue traditional Communist goals within the

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Italian context. He assured his audience that the Communists would insist on a significant policy voice now and continue to work for full participation in the government. [REDACTED]
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NATO: Radar System in Jeopardy

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[REDACTED] //The UK's support for a new and costly NATO airborne radar system appears to be weakening.//

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[REDACTED] //The radar system--known as the Airborne Warning and Control System--would correct a deficiency in Western air defenses by its ability to detect low-flying enemy aircraft. Because of the billion-dollar cost of the system, its adoption is considered a major test of NATO's commitment to make more efficient use of its resources by jointly purchasing a common system.//

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[REDACTED] //In the face of domestic pressures to reduce defense spending, the UK had been in the forefront of those arguing for a joint approach. It is the only major ally, for example, that has earmarked funds to procure the system's most expensive component--a fleet of specially modified Boeing 707s designed to provide a permanent radar umbrella over Western Europe.//

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[REDACTED] //NATO was set to make a decision on the system last spring, but did not. Funding for research on the AWACS system is continuing, but a decision on procurement was postponed until December. This met the interests of some NATO members, such as West Germany, which were interested but wanted to delay a decision for either political or budgetary reasons. London somewhat reluctantly went along with this compromise.//

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[REDACTED] //The uncertainty about support within the Alliance for the system has led London to urge consideration of a less costly bilateral US-UK system. At the same time, British representatives have indicated they were considering the development of a purely British alternative system.//

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[REDACTED] //The UK has not renounced or qualified its commitment on AWACS, but senior Defense Ministry officials have repeatedly said that design refinements in the proposed British Nimrod

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system have resulted in "real confidence" that it will adequately fulfill British requirements. The Royal Air Force, moreover, is reported to have shifted its support to Nimrod.//

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[REDACTED] //The British have also begun to adopt the German view that AWACS must be a "NATO-wide" system, and not one in which only two or three of the allies participate. There is growing skepticism in London that Bonn will reach a decision on AWACS by January--the maximum time London will allow for a NATO-wide decision.//

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[REDACTED] //New budgetary pressures and a reduction in the value of the earmarked funds due to exchange rate fluctuations have reduced the effective amount of Britain's original AWACS commitment of about \$550 million to only \$425 million. Moreover, the AWACS allocation--earlier regarded as untouchable--now appears as subject to scrutiny as any other defense budget item.

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Spain: Reaction to Reform Program

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[] Although the Spanish opposition Democratic Coordination has issued a tough statement rejecting the government's reform program, public and private comments by individual opposition leaders have been less negative. The government's move appears to have created considerable disarray among the opposition.

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[] The communique of the Democratic Coordination last weekend maintains that the crisis of the transition period cannot be solved as long as Francoist institutions are retained. It demands the formation of a provisional government, the election of a constituent assembly, and freedom for all political parties.

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[] The communique is similar to a denunciation issued by the Communist Party last week. The Communists appear to be increasingly concerned that the democratic opposition will participate in the parliamentary election next year even if the Communist Party is excluded.

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[] Relatively moderate pronouncements by individual parties within the Democratic Coordination since last weekend have blunted the cutting edge of the communique. The Socialist Workers' Party, while labeling the government's program "inadequate," has left room for negotiation by saying it would participate in the reform process if all parties are allowed to campaign freely and if effective safeguards are provided to prevent manipulation of the election by Francoist officials.

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[] Privately, a Socialist leader told the US embassy that his party considers the proposals made by Suarez an important step forward, "although we cannot say that publicly." Other opposition figures have publicly applauded some aspects of the program, and Christian Democratic leader Ruiz Gimenez--who reportedly led an unsuccessful bid to tone down the Democratic Coordination communique--issued a favorable statement on behalf of his party.

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[] According to press reports, the Democratic Coordination is now drawing up an alternative program that could set the stage for serious negotiations with the government.

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[] While the opposition struggles to coordinate its campaign, the government is turning its attention to the Basque region, the scene of further demonstrations and violence last week. Interior Minister Martin Villa has just visited three of the four Basque provinces. In meetings with a broad spectrum of provincial leaders, he reportedly discussed reinstituting pre - civil war special Basque economic and political privileges strengthening the authority of local officials over the national police. As an earnest of the government's good will, Martin Villa ordered police to tolerate display of the Basque flag, according to press reports.

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[] While clearly attempting to convey the government's willingness to respond to legitimate Basque grievances, Martin Villa made no bones about the importance of guaranteeing public order during this transitional period. He also reaffirmed the Prime Minister's commitment to leave to the next parliament major decisions affecting relations between regions and the Madrid government.

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CHINA: Post-Mao Leadership

25X1 [REDACTED] Peking has not convened a meeting of the party Central Committee to begin discussions on a post-Mao party leadership. Almost all members of the Central Committee, including the large number based in the provinces, were in Peking during the period of mourning, but most of the latter have now returned to their home bases to hold local memorial services on the day of Mao's funeral.

25X1 [REDACTED] The Central Committee has been deeply divided since the death of Chou En-lai in January and has not successfully concluded a meeting all year. It is possible that party leaders postponed the meeting because they expected it would produce little in the way of results and might only increase tensions between the major contending factions.

25X1 [REDACTED] The party cannot duck the succession question indefinitely, but a divisive meeting at this time could undermine the carefully constructed facade of unity that the leadership has displayed since Mao's death. It is conceivable that the contending factions are playing for time in hopes of strengthening their position, and that one faction will push for a meeting when it feels sufficiently strong.

25X1 [REDACTED] A gauge of which faction feels stronger may emerge from the propaganda line in the next few weeks, especially regarding the future course of the campaign to criticize Teng Hsiao-ping. As Mao entered his final days, more conservative elements in the leadership were able to use the economic effects of July's earthquake to tone down the campaign and emphasize production themes. Leftists will probably try to rejuvenate the campaign in order to attack a number of rightists who are currently members of the Central Committee.

25X1 [REDACTED] It seems unlikely that the Politburo, which is empowered to act when the Central Committee is not in session, will itself try to resolve the succession issue. //When the Politburo acted in April to dismiss Teng Hsiao-ping and to elevate Hua Kuo-feng to the premiership and the first vice chairmanship of the party, the decision was condemned by many Chinese as "unconstitutional."//

25X1 [] In addition to temporarily postponing a showdown over the succession issue, the party leadership still has not announced what it plans to do with Mao's body. There may be some disagreement over this issue. The fact that there has been no official statement, in contrast to the detailed and meticulous announcement on procedures to be followed during the mourning period for Mao, suggests continuing sensitivity. []

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BRAZIL: Elections Stir Interest

25X1 [] Brazilian municipal elections, scheduled for November, have become the focal point of national politics. Ordinarily these contests have relatively minor impact, but this year they will constitute a national referendum on current government policies.

25X1 [] The government party and an opposition were created by presidential decree in 1966. Since the congressional elections two years ago, in which the opposition party made unexpected gains, the two organizations have acted like duly constituted political parties in taking stands on major controversial issues.

25X1 [] President Geisel has tried to bolster the fortunes of the pro-government party by identifying his policies with it. At the same time he has frequently used his decree powers to suspend the political rights of opposition politicians who have denounced the military-backed regime.

25X1 [] Disenchantment with the Geisel administration is growing and is not confined to the opposition party. Since 1974, Brazil's economic growth has slowed considerably. Serious balance-of-payments problems have forced the government to impose import controls and other unpopular restrictions on foreign exchange, and inflation is running at an annual rate of approximately 40 percent.

25X1 [] Continued press censorship, harsh internal security practices, and official corruption are also topics of public debate, especially now that Geisel has eased restrictions somewhat on the press and political parties. These liberalization moves have been criticized by prominent military conservatives.

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[] We believe the opposition party probably will do very well in the November elections, especially in major metropolitan areas. The government has already taken steps to limit its losses by passing a law that severely restricts the candidates' use of radio and television for campaign purposes.

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[] //If the opposition makes the expected gains, it would increase tension and friction in the government and military and may well jeopardize the tentative liberalization that has characterized the first two years of Geisel's term.//

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